



March 14, 2006

Michael R. Turner  
Chairman  
House Government Reform Subcommittee on Federalism and the Census

Re: Field hearing on "*Monitoring Our Nation's Pulse: A Look at the Existing Federal, State and Local Economic Development Tools and Whether They are Adequate in Attracting and Keeping Businesses in America's Heartland Cities*," Springfield, Missouri, March 21, 2006

Dear Congressman Turner,

As the Executive Director of the Southwest Missouri Council of Governments (SMCOG), I offer the following testimony to the House Government Reform Subcommittee on Federalism and the Census for the field hearing in Springfield, Missouri on "*Monitoring Our Nation's Pulse*."

SMCOG is one of Missouri's 19 regional planning commissions, serving the counties of Barry, Christian, Dade, Dallas, Greene, Lawrence, Polk, Stone, Taney and Webster counties and municipal governments within these counties. SMCOG's municipal government membership ranges from the City of Springfield with a 2004 population of nearly 151,000 to very small communities such as the City of Washburn, located in southern Barry County, with a 2004 population of 463. Our region's 2004 population is estimated at approximately 542,500.

It is SMCOG's mission to enhance the quality of communities through regional cooperation. We achieve this by:

- Providing staff expertise in planning and community development
- Creating networking opportunities to address issues of common concern
- Assisting governments in accessing resources
- Advocating for Southwest Missouri

SMCOG has worked with numerous communities to address quality of life and economic development issues and needs. My following comments, which focus on economic development tools of concern and general recommendations, are based on SMCOG's mission and experiences in working with our communities, and regional, state and federal partners to enhance quality of life.

## **1. Economic Development Tools of Concern**

**Infrastructure Improvements** - Most of the communities we work with need to address adequate infrastructure/quality of life needs; i.e., sanitary sewer system, a safe and sufficient water supply, roads, etc. The focus of economic development is enhancing and sustaining quality of life. A community will not be able to attract private investment and business development if the quality of life is questionable; basic physical and support infrastructure go a long way in improving a community's quality of life while also making it possible for existing businesses to expand and to attract new businesses. Programs which provide infrastructure assistance, including traditional water, sewer, and transportation system improvements, as well as technological infrastructure, continue to be essential economic development tools for our communities.

Federal programs providing infrastructure assistance which have been successfully used by SMCOG member communities include Community Development Block Grants, Economic Development Administration Grants, and USDA-Rural Development Grant and Loan programs. In many cases, these funds are leveraged by state and local government funds and private sector investment. An example of successful infrastructure development assistance is the City of Fair Play, located in Polk County. In 2004, this small community (population of 418) received a USDA Rural Enterprise Business Grant of approximately \$94,000 to construct water, sewer and street infrastructure in their new industrial park. Two businesses committed to locate in the park, resulting in a combined total of 18 full time jobs generating estimated annual wages of over \$500,000 which will circulate through the local and regional economies.

The CDBG program provides one of the most flexible and timely programs for infrastructure development. CDBG funds, combined with grant funds from the Missouri Department of Natural Resources, have enabled the construction of the Village of Diggins' (Webster County) first centralized sanitary sewer collection and wastewater treatment system, an infrastructure vital to this community's ability attract private investment.

EDA grant investment has also successfully contributed to the City of Springfield's center city development program. The \$1.2 million EDA grant used by Springfield to assist in constructing a \$10 million parking deck in the Jordan Valley Park area provides needed transportation infrastructure for the Exposition Center, planned hotel expansion, a future arena, and a minor league baseball stadium.

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**Small Business Assistance** – Another economic development area of interest to the smaller communities is seed money to provide small business assistance, primarily with respect to establishing a small business development loan program for “gap” financing. These programs have been successful in communities that have been able to establish local community development corporations, leveraging locally generated funds with CDBG dollars. A good example of such a program is in the City of Stockton (Cedar County and within the geographic service area of the Kaysinger Basin Regional Planning Commission) which suffered devastating damages to its downtown business district from a tornado on May 4, 2003. The local CDC raised almost \$200,000 and also obtained a \$500,000 CDBG grant to establish a revolving loan program. Most of the \$500,000 CDBG investment was loaned within 6 months. Once repaid, these monies will continue to provide economic development assistance for small business expansion and development in the Stockton community.

**Workforce Development** – Investment in education and workforce development is also critical to meeting the current needs of business and industry in this region and creating a climate attractive to new business investment that will create higher wage jobs. One of the smartest things our federal and state government can do is to continue to invest in workforce training and education, whatever format that may take. Technical skills and trades need to be emphasized as part of that training.

An example of a federal investment in workforce development in our Southwest Missouri region is the construction of a new facility for the Southwest Area Career Center in Monett (Lawrence County). Funded with an EDA investment of \$1.25 million and a voter approved bond issue, this \$7.295 million facility will serve 14 public school districts and 15 communities within its service area. This state-of-the-art facility will be equipped with the latest technologies to provide quality workforce development programs for secondary and postsecondary educational/vocational training and customized training programs requested by local businesses and industries.

**Cost Reimbursement** – Given the amount of dollars available to support the various economic development programs, it is important to use these dollars as efficiently as possible and in a timely manner. Time is money in the economic development field, and funds that can be accessed relatively quickly will have the most success. One potential way to facilitate both the efficient use of funds and the need for timeliness is through the concept of project cost reimbursement. The City of Springfield has done this on several highway improvements with the Missouri Department of Transportation. The city “fronted” the money for several transportation projects and is being reimbursed in annual installments from the Missouri Department of Transportation. There may be opportunities to utilize this process for economic development projects, enabling a local government to

quickly invest in a project to make it happen, knowing that cost reimbursement will occur.

**Land Acquisition** – Another consideration is to allow more programs to assist communities with land acquisition for planned industrial or business parks. Many communities want to build a focused-approach industrial or business park and are able to get assistance with some infrastructure costs, but a major obstacle is the lack of resources to purchase the land to make this happen. As property costs continue to rise, this will continue to be an obstacle for local governments.

**Disaster Recovery** – One area of assistance that may be overlooked from an economic development perspective is disaster recovery. The State of Missouri worked with federal agencies to make funds available for long-term community recovery after the May 2003 tornadoes that caused significant damage to a number of counties and communities in the state. The state was able to use existing CDBG funds to address key community recovery projects that were focused on the economic recovery of these communities. This is an excellent example of the flexibility of the CDBG program.

## 2. **Summary Comments and Recommendations**

In summary, I offer the following general observations and recommendations on issues regarding the economic development tools available to our communities:

- For all programs, the timing, regulations, and the numbers, variation and language of incentives for business attraction and expansion create limiting factors. Few persons understand all options available. The processes and timing required are directly opposite of today's quick decision-making requirements for private investment and business development.
- Program guidelines should not be so rigid so as to rule out unique approaches to economic development or projects aimed at addressing problems unique to a particular community. Programs should be flexible and focus more on the end result rather than the approach or technique employed to achieve the result. Economic development programs should be developed with a common sense approach and an understanding that “one size fits all” will not work in the future.
- Consideration should be given to coordination among all federal agencies (and state) to develop consistent criteria, data needs, etc., for applications and consistent assessment criteria in awarding grants, loans, etc. In other words, information needed for an EDA application should be consistent with the information needed for a USDA-Rural Development program.

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- The State of Missouri has worked to improve the environment for business expansion and attraction (workers comp, tort reform, small business fairness). The next emphasis is setting the stage for the opportunity to occur where the expectation is defined and all parties understand when it is met. To assist in this effort, it is essential that programs which offer flexibility and timeliness in addressing the quality of life issues essential to economic development be continued. For example, the reduced funding levels of CDBG will further erode opportunities to provide working capital and infrastructure improvements necessary to attract and expand existing business.
- I would also further encourage the need to effectively leverage all our resources--local, state and federal, at both the local and regional level. Economic development tools and programs are desirable that would enable SMOG to further partner with state and federal agencies as well as other regional associations of local government and business, such as the Ozarks Regional Economic Partnership. We must work together to strategically plan, leverage the access to resources to enhance local and regional quality of life and future economic prosperity.

Respectfully Submitted,

Diane May, AICP

Executive Director